

Message Text

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ACTION EA-12

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NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03
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FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 9013

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PASS AGRICULTURE AND STR ELECTRONICALLY

E.O. 11652: NA
TAGS: EAGR
SUBJ: AG COOPS PRESS MINAG TO RAISE RICE AND WHEAT
- PRICES AND HOLD LINE ON IMPORTS

1. SUMMARY: CENTRAL UNION OF AG COOPS MET WITH MAF
MINISTER NAKAGAWA JUNE 17 TO URGE INCREASE IN WHEAT AND
RICE PRODUCER PRICES AND TO BLOCK EXPANSION OF AGRICULTURAL
IMPORTS. MINISTER RESISTED RICE PRICE INCREASE AND SHOWED
SOME FLEXIBILITY ON IMPORT ISSUES, BUT IN LINE WITH ZENCHU
POSITION, CATEGORICALLY REJECTED FURTHER LIBERALIZATION
OF ORANGE IMPORTS. POSITION ON IMPORTS IS CONSISTENT
WITH WHAT NAKAGAWA TOLD AMBASSADOR ON JUNE 16. HIS COM-
MENTS ON RICE PRICE EXPRESS BASIC DILEMMA FOR MAF AND
PRODUCERS CAUGHT BETWEEN RICE SURPLUS AND FA BUDGET
DEFICITS ON ONE HAND AND DECLINING RICE CONSUMPTION AND
FINANCE MINISTRY PRESSURES FOR CONSUMER RICE PRICE
INCREASES ON THE OTHER.

2. FOLLOWING IS TEXT OF TRANSLATION OF JUNE 27 NIHON
KEIZAI SHIMBUN REPORT OF ZENCHU/MAF MEETING:

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- QUOTE: CENTRAL UNION OF AGRICULTURAL CO-OPERATIVES
- REQUESTS AGRICULTURE-FORESTRY MINISTER NAKAGAWA TO
- BLOCK EXPANSION OF IMPORTS OF AGRICULTURAL PRODUCTS.

- CHAIRMAN FUJITA AND STAFF MEMBERS OF THE CENTRAL
- UNION OF AGRICULTURAL CO-OPERATIVES (ZENCHU), MET
- AGRICULTURE-FORESTRY MINISTER NAKAGAWA AND MAF STAFF

- MEMBERS IN TOKYO JUNE 17 AND REQUESTED GOVERNMENT
 - (1) TO RAISE THE PRODUCER PRICES OF RICE AND WHEAT;
 - AND (2) IN REGARD TO THE EXPANSION OF IMPORT QUOTAS
 - FOR AGRICULTURAL PRODUCTS, TO CARRY THROUGH ITS
 - POSTURE OF OPPOSITION AS BEFORE. RE PRODUCER PRICE
 - NAKAGAWA SHOWED A SEVERE POSTURE, SAYING, "IF THE
 - GOVERNMENT RAISES THE PRODUCER PRICE OF RICE, THAT
 - WILL COME TO BE SHIFTED TO RURAL COMMUNITIES AFTER
 - MANY TWISTS AND TURNS, AND IT WILL BECOME IMPOSSIBLE
 - FOR THE GOVERNMENT TO OBSERVE THE FOOD CONTROL
 - SYSTEM." HOWEVER, IN REGARD TO EARLY PAYMENT OF THE
 - ESTIMATED ADVANCE PRICE (3,000 YEN PER 60 KILOGRAMS),
 - WHICH HAD BEEN SOUGHT BY THE ZENCHU SIDE, THE SAID
 - MINISTER STATED THAT, "I WANT TO SPEED UP THE PAYMENT
 - BY ABOUT TEN DAYS EARLIER THAN BEFORE (FIRST TEN DAYS
 - OF JULY)," AND PROMISED THAT THE GOVERNMENT WILL PAY
 - IT IN THE LAST TEN DAYS OF JUNE.
-
- REGARDING PROBLEM OF EXPANDING IMPORTS OF BEEF,
 - ORANGES, AND FRUIT JUICE, NAKAGAWA SAID, "I WANT TO
 - STEP UP NEGOTIATIONS, UNDER THE PRE-CONDITION THAT
 - THE EXPANSION OF IMPORTS WILL NOT PRODUCE AN ADVERSE
 - EFFECT ON JAPAN'S AGRICULTURE." REFERRING TO IMPORT
 - OF BEEF, HE STATED THAT, "I WOULD LIKE TO MAKE ADJUST-
 - MENT SO THAT THE GOVERNMENT WILL IMPORT THE AMOUNT OF
 - SHORTAGE WHICH CANNOT BE COVERED BY DOMESTIC PRODUC-
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- TION." FOR ORANGES, HE STATED THAT, "AS NOW IS THE
 - TIME WHEN TANGERINE-PRODUCING FARMERS MUST ADJUST
 - PRODUCTION BY AS MUCH AS 30,000 HECTARES, GOVERNMENT
 - CANNOT LIBERALIZE IMPORT OF ORANGES, WHATEVER MAY
 - HAPPEN." IN CONNECTION WITH IMPORTS OF ORANGES, THE
 - MINISTER ASKED, "HOW ABOUT DEVISING EXPORTS TO FOREIGN
 - COUNTRIES OF FRUIT JUICE WHICH HAS BLENDED DOMESTIC
 - TANGERINES WITH ORANGES?"
-
- THIS WAS THIRD IN SERIES OF MEETINGS BETWEEN ZENCHU
 - AND MAF CENTERING AROUND THIS YEAR'S PRODUCER PRICES
 - OF RICE AND WHEAT. ACCORDING TO ZENCHU, ANOTHER
 - MEETING WILL BE HELD PRIOR TO MEETING OF RICE PRICE.
 - DELIBERATION COUNCIL TOWARD BEGINNING OF JULY.
 - END QUOTE.

3. NAKAGAWA'S COMMENT ON IMPORTS ARE CONSISTENT WITH WHAT HE TOLD AMBASSADOR AT DINNER MEETING JUNE 16 AND WITH PREVIOUS PUBLIC AND PRIVATE STATEMENTS. ALTHOUGH MINISTER IS FRIENDLY AND COOPERATIVE AND APPRECIATES POLITICAL PROBLEMS ON U.S. SIDE, HE IS NOT YET READY TO CONSIDER BASIC CHANGES IN THE DOMESTIC BEEF SUPPORT SYSTEM

AND THE IMPORT REGIME, THOUGH IT IS CLEAR HE IS WILL-
ING TO TALK ABOUT MODEST INCREASES. WE EXPECT FURTHER
DEVELOPMENTS AFTER HIS RETURN FROM HIS VISIT TO AUSTRALIA
AND NEW ZEALAND AT THE END OF THE MONTH WHERE JAPANESE BEEF
IMPORTS WILL BE A PRIMARY TOPIC. CITRUS IMPORTS CONTINUE
TO BE THE MOST DIFFICULT PROBLEM FOR MAF AND WE CAN EXPECT
RESISTANCE TO THE BITTER END TO FURTHER CONCESSIONS.

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4. MINISTER'S REFERENCE TO SHIFT OF EFFECTS OF RICE
PRODUCER PRICE INCREASES BACK ONTO FARMERS IS EXPRESSION
OF DILEMMA MAF AND PRODUCERS NOW FACE. FINANCE MINISTRY
IS PRESSING FOR INCREASE IN RICE CONSUMER PRICE TO BRING
IT CLOSER TO PRODUCER PRICE IN ORDER TO REDUCE BUDGET
DEFICIT IN FOOD CONTROL SYSTEM. HOWEVER, CONSUMP-
TION IS DECLINING AND FURTHER CONSUMER PRICE INCREASES CAN
ONLY AGGRAVATE SITUATION AND WOULD LEAD TO STILL LARGER
RICE SURPLUSES. IMPLICATION IS THAT FAILURE TO REDUCE
BUDGET DEFICIT WILL CALL INTO QUESTION WHOLE FOOD CONTROL
SYSTEM. THUS, MAF IS TRYING TO CONVINCE FARMERS THAT NO
INCREASE IN PRODUCER RICE PRICES IS ONLY VIABLE COURSE.
THIS IS ALL COMPOUNDED BY CURRENT ESTIMATES THAT ALTHOUGH
THIS YEAR'S RICE SET ASIDE IS MORE THAN 100 PERCENT
EFFECTIVE, RICE SURPLUS WILL NEVERTHELESS INCREASE TO 5.3
MILLION MT. PREVIOUS ESTIMATES WERE THAT SET ASIDE WOULD
HAVE SUFFICIENT IMPACT ON SUPPLY SIDE TO HOLD SURPLUS TO
4.8 MILLION MT, BUT IT IS NOW EXPECTED THAT DECLINING
DEMAND WILL MORE THAN OFFSET EFFECT OF SET ASIDE. PRESS
SPECULATION IS THAT FINAL DECISION WILL BE TO RAISE
CONSUMER RICE PRICE AND WHEAT RESALE PRICE marginally BUT

WHEAT MORE THAN RICE, FREEZE THE PRODUCER PRICE OF RICE
AND RAISE THE DOMESTIC PRODUCER PRICE OF WHEAT BY 3 PERCENT.
HOWEVER, THIS RAISES STILL ANOTHER PROBLEM FOR MAF
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BECAUSE WHEAT PRICES ARE ALREADY SO HIGH THAT SEVERE IMPORT
COMPETITION IS EXPECTED FOR DOMESTIC END USERS OF WHEAT
FOR MACARONI AND SPAGHETTI AND POSSIBLY NOODLES.

5. THE NEXT SIX WEEKS WILL BE LONG AND DIFFICULT FOR
MAF. DESPITE MAF ASSURANCES THAT ANNUAL WHEAT IMPORTS
FROM U.S. WILL NOT BE REDUCED AND THAT INCREASE IN WHEAT
RESALE PRICE, IF ANY, WILL BE SMALL, WE HAVE CAUSE FOR
CONTINUING CONCERN ABOUT THE LEVEL OF OUR LONG-TERM WHEAT
MARKET PROSPECTS IN JAPAN. MAF HAS PRESENTED PLAN TO
RICE PRICE DELIBERATION COUNCIL FOR REDUCTION OF SURPLUS
WHICH MAY MITIGATE EFFECTS ON WHEAT, BUT IF IMPLEMENTED,
COULD ADVERSELY AFFECT FEED GRAIN EXPORTS TO JAPAN AND
RICE EXPORTS TO THIRD COUNTRIES. DETAILS FOLLOW SEPTTEL.
MANSFIELD

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